

IRS News Release

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IRS Grants Tax Relief for Victims of California Wildfires

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WASHINGTON — The Internal Revenue Service today announced special tax relief for Southern California residents in the Presidential Disaster Area that was struck by wildfires beginning Oct. 21, 2003.

The disaster area counties are: Los Angeles, San Bernardino, San Diego and Ventura.

- The FTD Penalty Waiver Period for employment and excise tax deposits is Oct. 21 - Nov. 7, 2003.
- The Extension Period for returns and other tax payments is Oct. 21 through Dec. 29, 2003.
- The Disaster Designation for this area is "CA Wildfires" – taxpayers mark certain relief-related forms with this designation.

Affected Taxpayers

For the purposes of this tax relief, affected taxpayers include individuals and businesses located in the disaster area, those whose tax records are located in the disaster area, and relief workers. The same relief will also apply to any places added to the disaster area.

Extensions to File or Pay Taxes

The IRS gives affected taxpayers until the last day of the Extension Period to file tax returns or make tax payments, including estimated tax payments, that have either an original or extended due date falling within this Period. The IRS will abate interest and any late filing or late payment penalties that would apply during these dates to returns or payments subject to these extensions.

The IRS also gives affected taxpayers until the last day of the Extension Period to perform certain other time-sensitive actions described in Treasury Regulation § 301.7508A-1(c)(1) and Rev. Proc. 2002-71, 2002-46 I.R.B. 850, that are due to be performed during this Period. This relief includes the filing of Form 5500 series returns, in the manner described in section 8 of Rev. Proc. 2002-71.

This extension to file and pay does not apply to information returns, or to employment and excise tax deposits. However, the IRS may abate penalties on such deposits for affected taxpayers due to reasonable cause during the FTD Penalty Waiver Period, provided they make the payment by the last day of that Period.

To qualify for this relief, affected taxpayers should put the assigned Disaster Designation in red ink at the top of the return, except for Form 5500, where filers should check Box D in Part 1 and attach a statement, following the form's instructions. Individuals or businesses located in the disaster area – or taxpayers outside the area that were directly affected by this disaster – should contact the IRS if they receive penalties for filing returns or paying taxes late.

Casualty Losses

Affected taxpayers in a Presidential Disaster Area have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax saving, depending on other income factors.

Individuals may deduct personal property losses that are not covered by insurance or other reimbursements, but they must first subtract \$100 for each casualty event and then subtract ten percent of their adjusted gross income from their total casualty losses for the year. For details on figuring a casualty loss deduction, see IRS Publication 547, "Casualties, Disasters and Thefts."

Affected taxpayers claiming the disaster loss on a last year's return should put the Disaster Designation in red ink at the top of the form so that the IRS can expedite the processing of the refund.

Other Relief

The IRS will waive the usual fees and expedite requests for copies of previously filed tax returns for affected taxpayers who need them to apply for benefits or to file amended returns claiming casualty losses. Such taxpayers should put the assigned Disaster Designation in red ink at the top of Form 4506, "Request for Copy or Transcript of Tax Form," and submit it to the IRS.

Affected taxpayers who are contacted by the IRS on a collection or examination matter should explain how the disaster impacts them so that the IRS can provide appropriate consideration to their case.

Taxpayers may download forms and publications from the IRS Web site at www.irs.gov or may order them by calling 1-800-TAX-FORM (1-800-829-3676). The IRS toll-free number for general tax questions is 1-800-829-1040.